



A2 CORPORATION LIMITED HALF YEAR RESULTS TO 31 DECEMBER 2011

A2 Corporation Limited ("A2C") (NZAX: ATM) is pleased to report an unaudited Group Profit after Tax of \$3,102,071 for the six (6) months ended 31 December 2011.

The unaudited Group Profit comprised of the following:

- Sales of \$28,283,677, representing growth of 48.7% over the previous comparable half year;
- EBITDA before non-recurring items was \$2,271,589 compared to the corresponding prior year period of \$1,579,374;
- Proceeds on settlement of an outstanding legal dispute of \$1,101,350 net of costs;
- Income tax of \$173,829;
- International business development expenses of \$354,398;
- Non-cash expense relating to share based incentive schemes of \$107,045; and
- Foreign exchange profits (realized and unrealized) of \$30,226.

A Foreign Currency Translation Gain of \$293,267 was recorded on foreign assets resulting in Total Comprehensive Income for the period being \$3,395,338.

The working capital movement during the six (6) months reflected positive operating cash flow, proceeds from a share placement, a legal settlement, funding of capital expenditure and the Joint Venture investment. Cash on hand at 31 December 2011 was \$5,483,583.

Key Initiatives

Consistent with the company's Agenda for Growth, the key initiatives progressed during the 6 month period included:

- Continued strong growth in the Australian fresh milk business with market share by value in grocery increasing to approximately 4.7%;
- Substantial progress in developing the new fresh milk processing facility in Sydney, Australia with commissioning commenced in February 2012;
- Establishment of a significant joint venture dairy business for the United Kingdom and Ireland in association with a high calibre partner, Robert Wiseman Dairies;
- Continued development of strategies to introduce a2™ brand infant formula into Asia and enter further global milk markets;
- Settlement of an outstanding legal dispute with a former licensee with receipt of \$1.1 million net of costs; and
- Capital raising of \$2.6 million in July 2011 arising from a shareholder option agreement.

Australia

The growth of the Australian business continued to accelerate during the six (6) month period. Sales grew strongly on a monthly basis and represented an increase of 48.7% on the the previous comparable half.. We estimate the current market share of a2™ brand fresh milk by value in the grocery channel to be in the order of 4.7% compared with 3.5% at the corresponding period last year.

Earnings of the business have continued to grow in consequence of the growth in sales and cost control and we anticipate this incremental trend continuing. In addition, the new processing facility will contribute to a further growth in profitability from mid 2012.

The growth in the business is a function of increasing consumer awareness from our recently introduced “Thank-you a2” media campaign, successful PR and social media activities, consumer recommendation, Health Care Professional endorsement and support from our business partners. The fresh milk category in Australia has continued to experience significant retail price discounting, however a2™ brand milk has continued to grow strongly with no change in our pricing strategies.

The project to establish our own fresh a2™ brand milk processing facility in Sydney moved forward rapidly in both construction and installation of plant and equipment. Management is very satisfied with the work undertaken and the facility is on track to be commissioned during February 2012. The current estimate for the project has been revised to AUD8.4 million in consequence of building delays and final changes to the project scope. The key deliverables of the project - to initially process for the NSW market, produce a high quality product and enhance financial returns, remain unchanged.

New Zealand

During the period, A2C continued to explore opportunities with its licensee to build awareness and sales of a2™ brand milk in New Zealand consistent with the business model in Australia.

Korea

A2C settled its long running dispute with a former licensee in the Republic of Korea with settlement proceeds of NZD1.101 million net of costs received in September 2011. The Company is pleased to have resolved this outstanding legacy issue which will enhance our reputation and prospects for growth in Asia and the strength of our IP.

UK and Ireland Market Entry

On 15 November 2011 the Company announced the expansion of its operations into the United Kingdom and Ireland.

The Company has established a joint venture in association with Robert Wiseman Dairies (Robert Wiseman), the leading fresh milk dairy company in Britain. Founded in 1947, Robert Wiseman operates six(6) state-of-the-art processing dairies, 14 distribution depots and distributes almost a third of the fresh milk consumed in Britain.

The joint venture will be engaged in the sourcing, processing, marketing and sale of a2™ brand milk products on an exclusive basis in the UK and Ireland. Robert Wiseman will provide processing and distribution services on behalf of the joint venture, utilising its comprehensive infrastructure together with sales and associated support services. A2C will provide intellectual property, know-how and marketing services. A CEO has been appointed to manage the business reporting to the joint venture board.

The business will be equally funded by the partners with A2C contributing £1 million in November, with a further £1 million to follow during the 2012 calendar year.

The UK fresh milk market is approximately 6.5 billion litres per annum and the market opportunity for a2™ brand fresh milk products has the potential to be three fold that of Australia. The launch of a2™ brand fresh milk is planned for around September 2012.

Equity Raising

In July 2011, Freedom Foods Group Limited exercised its rights pursuant to an option agreement to subscribe for a share placement which resulted in the issue of 18,761,657 ordinary shares for consideration of \$2.559 million.

Geoffrey Babidge
Managing Director

21 February 2012